



STATE OF WASHINGTON STATE-CHARTERED CREDIT UNIONS FINANCIAL TRENDS

Financial Data as of December 31, 2005

HIGHLIGHTS

This report summarizes the trends of all state chartered credit unions in Washington, reported as of December 31, 2005. Unless otherwise noted, the change period for the financial ratios and/or financial statistics is from December 31, 2004 to December 31, 2005.

The total number of Washington state chartered credit unions remained unchanged from December 31, 2004 at 79. The statistics below compare 79 credit unions as of December 31, 2004 to 79 credit unions as of December 31, 2005.

Key financial indicators are listed below:

- **Assets** increased \$1.63 billion or 9.65%. Assets are \$18.53 billion.
- **Cash and Investments** (including cash & cash equivalents) decreased \$212.67 million or 5.01%. Cash and investments are \$4.03 billion.
- **Loans** increased \$1.81 billion or 15.26%. Loans are \$13.67 billion.
- **Delinquent loan** dollars increased \$6.72 million or 13.28%. Delinquent loans as a percentage of total loans decreased from 0.43% to 0.42%.
- **Net charge offs** decreased \$3.85 million or -6.18%. The net charge off to average loan ratio decreased from 0.56% to 0.46%.
- **Shares** increased \$1.26 billion or 8.61%. Because loans grew more than shares, the loan to share ratio increased from 81.09% to 86.04%.
- **Net worth** increased \$186.82 million or 11.08%. Net worth is \$1.87 billion. The net worth to assets ratio increased from 9.98% to 10.11%.
- **Profitability** – Net income increased \$13.95 million to \$184.70 or 8.17%. Return on average assets decreased from 1.05% for the twelve months ending December 31, 2004 to 1.04% for the twelve months ending December 31, 2005.
- **Operating Expenses** decreased from 58.14% of gross income to 53.78% of gross income and decreased from 3.58% of average assets to 3.47% of average assets.

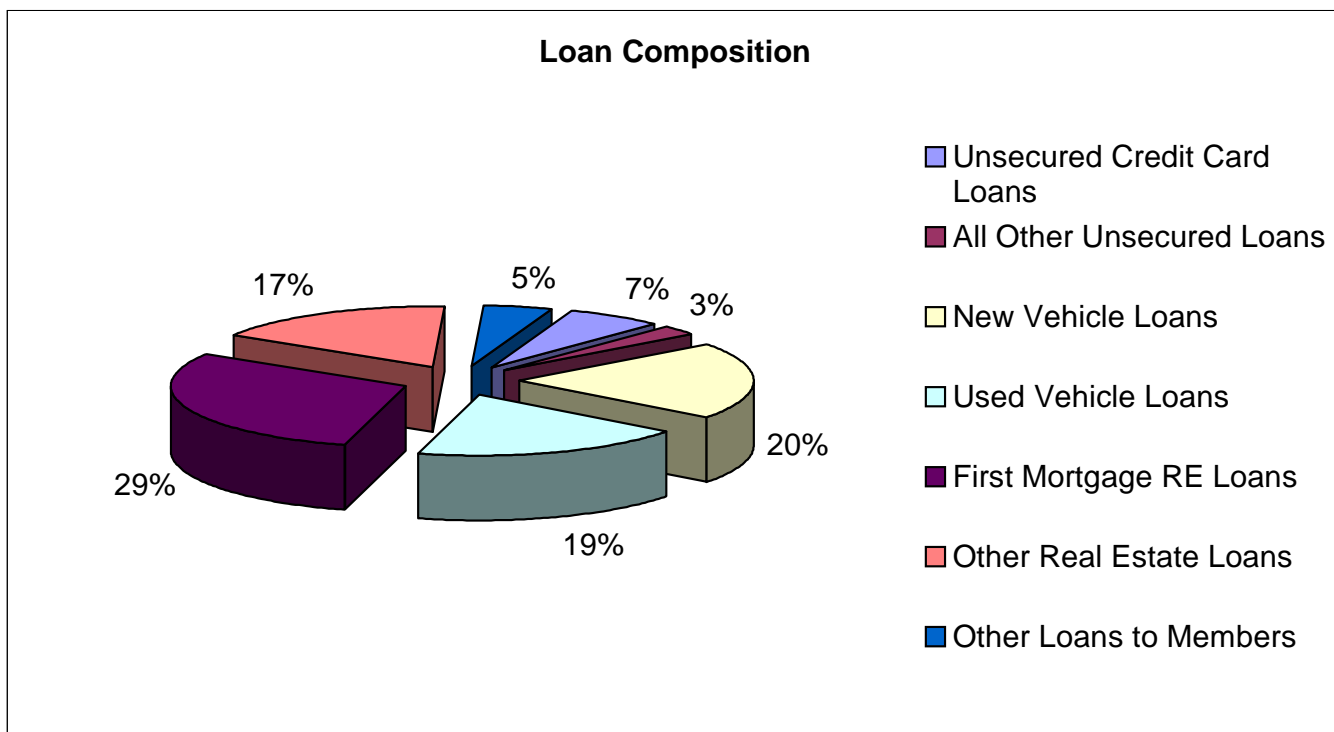
- **Gross Income and Cost of Funds** – Gross income increased from 6.16% of average assets to 6.44% of average assets, and cost of funds to average assets increased from 1.16% to 1.63%. Consequently, the average net margin decreased from 5.00% to 4.81%.
- **Asset Trends:** Assets increased \$1.63 billion or 9.65%. Assets are \$18.53 billion.
- Loans increased \$1.81 billion or 15.26%. Loans are \$13.67 billion.
- Cash and Investments (including cash & cash equivalents) decreased \$212.67 million or 5.01%. Cash and investments are \$4.03 billion.
- Cash plus cash equivalents plus short-term investments less than one year divided by total assets was 12.55%.
- Fixed assets increased \$24.15 million or 6.39%. Fixed assets are 2.17% of total assets.
- Other assets increased \$22.90 million or 7.36%. Other assets are 1.12% of total assets.
- The Allowance for Loan & Lease Losses (ALLL) decreased \$2.44 million or -2.81%. The aggregate ALLL balance equals 0.46% of total assets, 147.08% of delinquent loans and 144.15% of net charge-offs.

Annual Asset Growth

<u>CU Asset Size</u>	<u>12/31/2003</u>	<u>12/31/2004</u>	<u>12/31/2005</u>
Over \$500 million	8.34%	8.20%	12.02%
\$100m to \$500 million	9.63%	6.39%	6.90%
\$20m to \$100 million	6.31%	2.46%	1.17%
\$0m to \$20 million	3.98%	2.46%	-0.80%

Loan Trends: Total increased \$1.81 billion or 15.26%. Loans are \$13.67 billion. Because total loans increased more than total assets, the total loans to total assets ratio increased from 70.17% to 73.76%.

- Unsecured credit cards increased \$35.13 million or 4.03%.
- All other unsecured loans increased \$10.83 million or 3.08%.
- New vehicle loans increased \$812.11 million or 41.34%.
- Used vehicle loans increased \$104.12 million or 4.17%.
- First mortgage real estate loans increased \$299.37 million or 7.99%.
- Other real estate loans increased \$515.26 million or 28.37%.
- Other loans increased \$32.32 million or 5.30%.
- Fixed rate first mortgages increased \$165.57 million or 7.40%. Fixed rate first mortgage loans comprise 37.86% of all first mortgage real estate loans.
- Member business loans increased \$109.62 million or 20.98%.



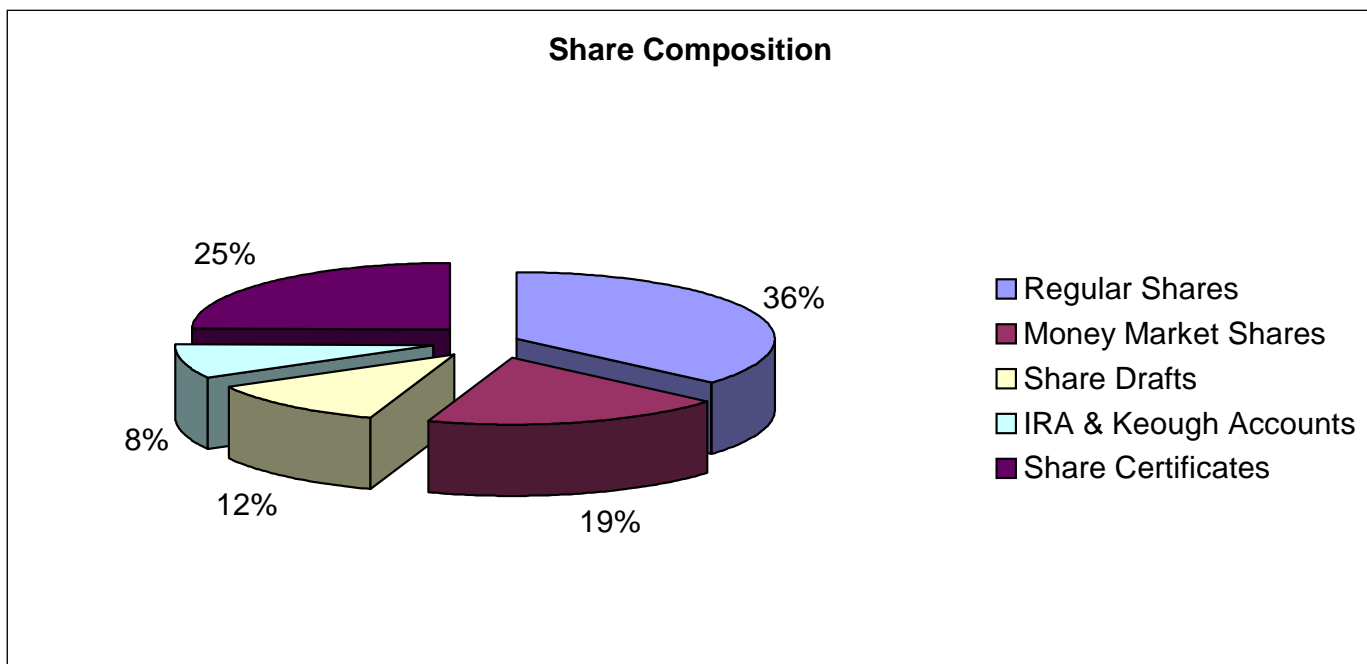
Delinquent Loan Trends: Total delinquent loan dollars decreased \$6.72 million to \$57.35 million. Because delinquent loans decreased while total loans increased, the delinquent loans to total loans ratio decreased from 0.43% to 0.42%.

Net Charge-Off Trends: Total net charge-offs decreased \$3.85 million to \$58.52 million. Because net charge-offs decreased and total loans increased, the net charge-off to average loan ratio decreased from 0.56% to 0.46%.

Bankruptcy Trends: Total bankruptcy loans increased \$19.84 million to \$81.10 million. This is a 32.39% increase.

Share Trends: Shares increased \$1.26 billion or 8.61%. Because loans grew more than shares, the loan to share ratio increased from 81.09% to 86.04%.

- Regular shares and deposits decreased \$116.16 million or -1.98%.
- Money market shares increased \$526.29 million or 21.25%.
- Share drafts decreased \$180.90 million or -8.96%.
- IRA & Keogh accounts increased \$25.71 million or 1.97%.
- Share certificates increased \$997.03 million or 34.05%.
- All other shares (including non-member deposits) increased \$7.18 million or 169.80%.
- The cost of funds to average assets ratio increased from 1.16% to 1.63%.



Net Worth Trends: Net worth increased \$186.82 million or 11.08%. Net worth is \$1.87 billion. The net worth to assets ratio increased from 9.98% to 10.11%.

Net Worth/Total Assets Ratios (as of 12/31/2004 and 12/31/2005)

<u>CU Asset Size</u>	<u>12/31/2004</u>	<u>12/31/2005</u>
Over \$500 million	9.44%	9.51%
\$100m to \$500 million	10.67%	10.89%
\$20m to \$100 million	11.52%	12.09%
\$0m to \$20 million	11.50%	11.53%

Profitability Trends: The return on average assets (ROAA) decreased from 1.05% to 1.04%.

ROAA Trends

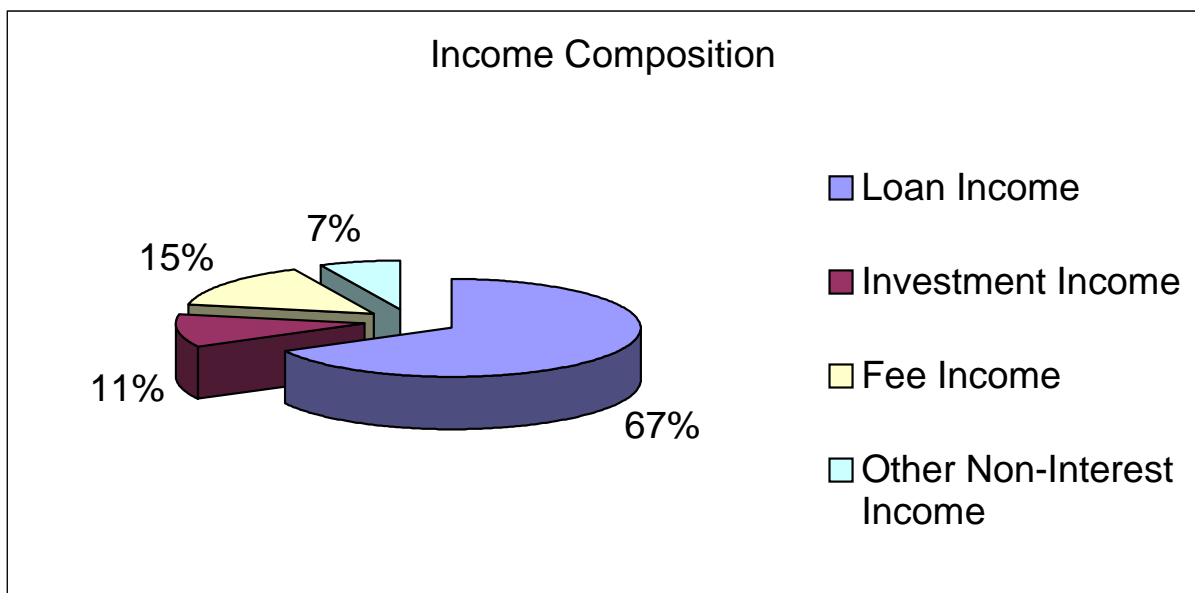
<u>CU Asset Size</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Over \$500 mil	0.52%	1.15%	0.94%	1.12%	1.15%
\$100m to \$500m	0.78%	1.17%	1.08%	0.99%	0.89%
\$20m to \$100m	0.86%	0.84%	0.65%	0.73%	0.80%
\$0m to \$20m	0.92%	0.81%	0.43%	0.57%	0.39%

Income Statement Comparison

Ratio	As of 12/31/2004	As of 12/31/2005	Effect on ROAA
Gross Income	6.16%	6.44%	+28 bps
Cost of Funds	1.16%	1.63%	+47 bps
Operating Expenses	3.58%	3.47%	-11 bps
Provision for Loan Loss	0.44%	0.33%	-11 bps
Non-operating income	0.07%	0.03%	-4 bps
ROAA	1.05%	1.04%	-1 bp

Income Trends: Gross income increased \$130.64 million to \$1.15 billion. This is an increase of 12.86%. Because average assets increased more than gross income increased, the gross income to average assets ratio increased from 6.16% to 6.44%.

- Loan and investment income increased \$97 million or 12.17%.
- Fee income increased \$25.74 million or 17.46%.
- Other non-interest income increased \$7.90 million or 11.12%.



Expense Trends: Operating expenses increased \$29.01 million to \$613.76 million or 4.96%. Because gross income increased and more than operating expenses increased, the operating expense to gross income ratio decreased from 58.14% to 53.78%.

- Employee compensation increased \$10.43 million or 3.64%.
- Travel and conference expense increased \$0.29 million or 3.23%.
- Office occupancy expense increased \$3.80 million or 10.49%.
- Office operations expense increased \$7.42 million or 6.24%.
- Educational and promotional expense decreased \$71 thousand or -0.31%.
- Loan servicing expense increased \$1.11 million or 2.97%.
- Professional services expense increased \$1.63 million or 3.33%.
- Member insurance expense increased \$27 thousand or 5.62%.
- Operating fees and miscellaneous expense increased \$4.38 million or 23.98%.

